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AICPA *Washington Report*

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COMMERCE, DEPARTMENT OF

A summary of public comments on the Department's product liability option paper, which recommended allowing a tax deduction for self-insurance, was published last week (see 9/11/78 Fed. Reg. pp. 40438-48). The summary was based on more than 325 responses from retailers, distributors, and product manufacturers across the country. According to the Department, proposals for a self-insurance tax break were endorsed by more than half of those responding, although many expressed concern over limitations on annual deductions set forth in Commerce's model bill.

In a related development, Sen. John Culver (D-Iowa) has introduced legislation to implement the Administration's recommendation for an extension of the carryback period for net operating losses attributable to product liability from three to ten years. Sen. Culver recommends passage of this proposal (S.3489) in conjunction with a provision for a tax-deductible product liability reserve account.

COUNCIL ON WAGE AND PRICE STABILITY

Watch for an announcement later this month for a series of "anti-inflation" recommendations from the Administration. The draft proposals (which are still awaiting Presidential approval) are believed to contain voluntary wage and price guidelines. Also in the package are government-wide requirements affecting procurement and regulatory practices.

FEDERAL COMMUNICATIONS COMMISSION

A public meeting on proposed revision to the uniform system of accounts and financial reporting requirements for telephone companies was announced last week. The meeting will be held on 9/22/78, beginning at 9:30 a.m., in Room A-110, 1229 20th Street, N.W., Washington D.C.

In a related matter, the Commission has decided to extend the comment period on the proposed revisions to be discussed at the 9/22/78 meeting. Initial comments are now due by 1/15/79 and reply comments must be received by 3/15/79 (see the 9/13/78 Fed. Reg., pp. 40886-87).

FEDERAL ELECTIONS COMMISSION

A campaign guide for political committees has been issued by the Commission. The Federal Election Campaign Act requires that all Federal candidates and political committees which support (or oppose) them to register, disclose their campaign receipts and expenditures, and abide by certain contribution limits and prohibitions. This campaign guide has been prepared to help committees comply with the law and focuses exclusively on those requirements affecting political committees that are not authorized by any candidate. It contains information on registration, record-keeping, filing reports, and terminating the reporting status. The guide does not discuss the special rules governing solicitation

and communications by PACs, activities of connected organizations, or special rules that apply to party committees. Copies of the Campaign Guide for Political Committees are available from the FEC, 1325 K St., N.W., Washington, D.C. 20463.

FEDERAL TRADE COMMISSION

A contract to survey the views of small businessmen about their accountants has been let, we have learned. The contractor has agreed to contact about 2250 business units (franchise operations) to obtain their opinions on matters involving their accountants in the area's of advertising, solicitation, competitive bidding, incompatible occupations and form of practice. The results are expected to be used in connection with the on-going non-public investigation of the accounting profession.

HEALTH, EDUCATION AND WELFARE, DEPARTMENT OF

Interim final regulations concerning grants for public health traineeships for students in schools of public health and other graduate public health programs were published in the 9/13/78 Fed. Reg., pp. 40862-67. The regulations include a provision calling for an audit of each grantee to be "conducted by, and certified to be accurate by, an independent CPA utilizing GAAS." Comments on these regulations are requested by 11/13/78. Additional information is available by contacting Dr. Merrill DeLong at 202/436-6824.

LABOR, DEPARTMENT OF

A bill to mandate uniform standards for public pension plans will be introduced this week in the House. The sponsors, Rep. John Dent (D-Pa.), Chairman of the House Pension Task Force and the ranking minority member, Rep. John Erlenborn (R-Ill.), are the same individuals who were instrumental in the adoption of the Employment Retirement Income Security Act of 1974. The legislation is expected to include requirements that all affected plans be subject to financial audits. The Task Force's report on public employee retirement systems, based on hearings held earlier this year, has recently become available and many of the legislative recommendations find support in that report. Copies of the complete report may be obtained from the GPO.

Anyone wishing to receive a free copy of a short summary of the major findings, recommendations and conclusions of the Task Force Report may do so by contacting the AICPA Washington Office prior to 9/27/78, and requesting Document 30-1. Telephone requests are encouraged and should be directed to extension 47.

The 4/30/80 deadline for submission of the Administration's plan to divide jurisdiction over matters relating to employee benefit plans between DOL and the Treasury Department came under fire at a hearing held last week by the House Government Operations Subcommittee on Legislation and National Security. The purpose of the hearing was a discussion of the Administration's proposed reorganization of ERISA, designed to lessen the burdens and reduce jurisdictional overlap and duplication. Rep. John Erlenborn (R-Ill.) and Labor Secretary

Ray Marshall seized the opportunity to call for an earlier deadline for the final submission of the plan in order to facilitate legislative response. Concern was also expressed over sections of the proposed plan which would maintain dual jurisdiction over prohibited transaction exemptions of employee stock ownership plans (ESOPs).

The effects of S.3017, the ERISA Improvements Act, which would reverse the appeals court decision in Daniel v. Teamsters by making it clear that a pension plan participant's interest in a plan is not a security, was the topic of a recent speech delivered by Sen. Jacob Javits (R-NY) before the International Foundation of Employee Benefit Plans. Sen. Javits, who co-sponsored the proposal with Sen. Harrison Williams (D-NJ), stated that the Congress is giving serious consideration to a supplementary antifraud provision to ERISA and to allowing federal courts to hear certain state common-law fraud actions. In addition to comments on S.3017, Sen Javits also urged that support be given to a proposal that would amend the prohibited transaction provisions of ERISA, which he feels is inadequately addressed by the Administration's ERISA reorganization plan.

PENSION BENEFIT GUARANTY CORPORATION

Publication of new actuarial tables to be used in determining the value of plan benefits in terminated plans for which the Corporation is unable to determine that plan assets are sufficient to provide all guaranteed benefits were announced recently. The new publication, entitled "Actuarial Tables Effective for Terminations from September 1, 1976, through February 28, 1978" (Pub. No. PBGC 506), is an update of a previous publication. The publication contains interest rates and other quantities to be used in conjunction with the material from Publication No. PBGC 501 "Mortality Tables," in the determination of the value of guaranteed benefits in plans which terminated during the designated period. The tables are based on PBGC assumptions as to mortality, investment return, and administrative expenses. Free copies of the publication are available by writing to: PBGC, Office of Communications, 2020 K Street, N.W. Washington, D.C. 20006, and requesting the publication by title and number.

SECURITIES AND EXCHANGE COMMISSION

The revised Article 9 of the regulation S-X has been published (Rel. No. 33-5973, see the 9/14/78 Fed. Reg. pp. 41022-28). These new rules provide requirements for form and content of financial statements of bank holding companies and banks. Changes have been made in the income statement format, reporting receivables from officers, directors and others, accounting for foreign activities, and reporting investment securities. The new rules are effective for financial statements covering periods beginning after 12/24/78. For more information contact Lawrence Bloch at 202/472-3782.

TREASURY, DEPARTMENT OF

"Our Basic Retirement System - Social Security: Suggestions for improvement" is the title of a new study issued by the AICPA Federal Tax Division. This study outlines the present nature of the social security system and provides suggestions to accomplish specific objectives. Included are a description of the characteristics of retirement under the social security system, an examination of the benefits structure, an analysis of the potential impact of change on employment and recommendations that include the use of general revenues to fund the social security retirement system. Copies of this new study are available from the Order Department, AICPA, 1211 Avenue of the Americas, New York, New York 10036, 212/575-6200. The cost is \$1.60 per copy for AICPA members.

Late last week the Senate Finance Committee tentatively agreed to add \$3.8 billion in income tax cuts for individuals for calendar year 1979 to the \$10.4 billion in the House approved bill, HR 13511. \$2 billion would be applied in the form of rate cuts (unspecified as of yet) and the balance would be derived from expanding the earned income credit for the working poor from a maximum of \$400 to \$600. The Committee also went along with the House on increasing the personal exemption from \$750 to \$1000 and repealing the \$35 per person general tax credit.

This week the Committee will take up the controversial Roth-Kemp Amendment.

The "Miscellaneous Revenue Act" (HR 12578) was passed by the House on 9/12/78. The bill, which was drafted and sponsored by the AICPA Federal Tax Division, now goes to the Senate for approval. HR 12578 would make several technical changes in the tax code including treating dividends paid by a personal holding company after the close of a taxable year, paying interest to a person whose property is wrongfully seized by the IRS, simplifying private foundation return and reporting requirements, and eliminating reporting requirements for certain transactions of property to an exempt organization.

Regulations on the imposition of the minimum tax have been adopted by the IRS (see the 9/12/78 Fed. Reg., pp. 40459-98). The minimum tax is imposed in addition to the regular income tax and applies to specific items of tax preference. The regulations contain rules for computation, deferral and carryover of the minimum tax, as well as definitions of items of tax preference. The regulations, which were originally proposed in 1970, are generally effective for taxable years ending after 12/31/69.

Legislation to reform the depreciation system for small business was introduced by Sen. Gaylord Nelson (D-Wisc.) on 9/12/78. The bill, S.3493, would allow depreciation deductions to be taken over a three-year period for purchases of up to \$100,000 of machinery and equipment. The provision would be optional, and those firms which elected it would apply only straight-line depreciation. The key provision in the bill would allow all companies to recapture

their capital investment faster and still receive full benefit of the 10 percent investment tax credit. A copy of the S. 3493 and Sen. Nelson's introductory remarks can be found in the 9/12/78 Cong. Record, pp. S 14984-85.

SPECIAL: MOSS COMMITTEE AID SPEAKS ON THE ACCOUNTING PROFESSION

The accounting profession and the AICPA must take additional steps to insure the success of the self-regulatory program according to James L. Nelligan, Operations Director of the House Commerce Subcommittee on Oversight and Investigations. Speaking before the Washington chapter of the Association of Government Accountants on 9/14/78, Mr. Nelligan, who is the top aid to Rep. John Moss (D-Cal.) on the "accounting issue", discussed areas of current concern with the new AICPA Division for CPA firms. In addition, he outlined the bill, HR 13175, introduced by Rep. Moss and four co-sponsors, that would create a new organization, subject to SEC oversight, that would regulate the accounting profession.

For additional information contact:
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